

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 FEA-01 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15
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FM AMEMBASSY BUDAPEST

TO USMISSION GENEVA

SECSTATE WASHDC 9901

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E.O. 11652: N/A

TAGS: GATT, ETRD, HU, EEWT

SUBJECT: GATT WORKING PARTY ON HUNGARY: HUNGARIAN TRADE AND
COUNTER-TRADE

REF: GENEVA 09626

1. EMBASSY OFFICERS HAVE DISCUSSED NEW HUNGARIAN
LICENSING REGULATION REFERRED TO REFTEL (AND PUBLISHED
IN KULKERESKEDELM I ERTESITO, NO. 14, PP. 145-150) WITH
RESPONSIBLE MINISTRY OF FOREIGN TRADE OFFICIALS, WHO
DESCRIBED NEW REGULATION AS ATTEMPT TO BRING TOGETHER
IN MORE ORDERLY FASHION VARIOUS EXISTING DIRECTIVES
IMPLEMENTING FOREIGN TRADE LAW OF 1974. ACCORDING TO
MFT OFFICIALS, REGULATION HAS BEEN IN PREPARATION FOR
OVER A YEAR AND DOES NOT REPRESENT NEW POLICY DIRECTION.
LICENSING PROCEDURES HAVE BEEN SIMPLIFIED IN TWO WAYS:
(1) EXPORT OR IMPORT LICENSE IS NOW NOT REQUIRED FOR
SHIPMENTS WORTH LESS THAN 5,000 FORINTS (APPROX. \$125
AT COMMERCIAL EXCHANGE RATE), AND (2) A SEPARATE FOREIGN
EXCHANGE LICENSE ISSUED BY THE HUNGARIAN NATIONAL BANK
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IS NO RPT NO LONGER REQUIRED. ONCE THE MFT IMPORT
LICENSE IS ISSUED, AND THE HNB IS OBLIGATED TO ALLOCATE THE
NECESSARY FOREIGN EXCHANGE. COMMENT: THE OFFICIALS
ASSERTED THAT THE LICENSE DECISION IS MADE WITHIN THE
MFT; THIS WOULD IMPLY A REDUCED ROLE FOR THE NATIONAL
BANK IN TRADE DECISIONS. A QUICK STUDY OF THE NEW
REGULATIONS (WHICH HAVE NOT YET BEEN OFFICIALLY

TRANSLATED) CONFIRMS THAT THERE HAVE BEEN NO MAJOR POLICY CHANGES. THE REGULATIONS WERE PUBLISHED WITH VIRTUALLY NO FANFARE OR COMMENT IN THE ECONOMIC PRESS, AGAIN INDICATING THAT THERE HAS BEEN NO SUBSTANTIAL CHANGE IN TRADE PRACTICE. THE REGULATIONS DO NOT RPT NOT SPECIFY CRITERIA ON WHICH LISCENSE APPLICATIONS ARE TO BE APPRAISED, LEAVING THE LICENSING AUTHORITIES A GOOD DEAL OF DISCRETION. THE EMBASSY HAS REQUESTED A MEETING WITH OFFICIALS OF THE LISCENSING DEPARTMENT TO EXPLORE THIS POINT.

2. HUNGARIAN MFT OFFICIAL AND TRADE NEGOTIATOR JANOS NYERGES PUBLISHED AN ARTICLE IN OCT. 14 ISSUE OF ECONOMIC DAILY VILAGGAZDASAG DISCUSSING COUNTER-PURCHASE REQUIREMENTS. NYERGES' ARTICLE WAS IN RESPONSE TO AN ARTICLE IN BUSINESS EASTERN EUROPE WHICH DISCUSSED EASTERN EUROPEAN COUNTER-TRADE PRACTICES, CITING HUNGARY AS AN EXAMPLE. AFTER SUMMARIZING THE BEE

ARTICLE, NYERGES STATES THAT "THE POSITION OF COMPETENT HUNGARIAN AUTHORITIES IS CLEAR: THEY DO NOT APPROVE OF COMPENSATION DEALS AS DESCRIBED ABOVE, AND THE HUNGARIAN ENTERPRISES HAVE BEEN SO INFORMED." THUS THE MFT DISAPPROVES OF COUNTER-PURCHASE AGREEMENTS WHICH REQUIRE THE WESTERN PARTNER TO PURCHASE GOODS UNRELATED TO ITS NORMAL BUSINESS ACTIVITIES, BUT LIMITED OFFICIAL USE

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NYERGES ADDS THAT HE DOES NOT WANT "TO THROW OUT THE BABY WITH THE BATH WATER." HE CITES FAVORABLY THE PRACTICE OF ACCEPTING REPAYMENT FOR A CAPITAL GOODS SALE IN THE FORM OF GOODS PRODUCED BY THE CAPITAL GOODS. HE ALSO POINTS OUT THAT "NEW FORMS OF FOREIGN ECONOMIC RELATIONS" ARE IMPORTANT IN EAST-WEST TRADE, ESPECIALLY LONG-TERM COOPERATION AGREEMENTS AND JOINT-VENTURES. NYERGES CONCLUDES THAT THE MFT IS NOT AGAINST COUNTER-PURCHASE DEALS WHERE THE WESTERN PARTNER IS THE USER OF THE OFFERED GOODS, OR HAS AN ESTABLISHED SALES NETWORK FOR TRADING THE OFFERED PRODUCTS. IN ADDITION, GOODS OFFERED IN COMPENSATION MUST BE OF ACCEPTABLE QUALITY AND COMPETITIVENESS.

3. NYERGES' ARTICLE HAS BEEN FOLLOWED BY TWO ADDITIONAL ARTICLES IN THE OCTOBER 22 AND NOVEMBER 15 ISSUES OF VILAGGAZDASAGE. THE FIRST MORE CRITICAL OF COUNTER-PURCHASE REQUIREMENTS AND THE SECOND DEFENDING THE PRACTICE. THE PAPER INVITED FURTHER CONTRIBUTIONS TO THE DEBATE, AND IT APPEARS WE WILL HEAR MORE ON WHAT IS APPARENTLY A CONTENTIOUS TOPIC IN THE HUNGARIAN FOREIGN TRADE COMMUNITY. NYERGES IS AN AUTHORITATIVE

SPOKESMAN ON TRADE POLICY QUESTIONS, HOWEVER, AND THE EMBASSY REGARDS HIS ARTICLE AS REFLECTING THE DOMINANT GOH VIEW, ESPECIALLY AS HIS COMMENTS ARE GENERALLY SIMILAR TO WHAT WE HAVE HEARD FROM OTHER OFFICIALS. IT IS CLEAR FROM DISCUSSIONS WITH AMERICAN BUSINESSMEN THAT FOREIGN FIRMS HAVE A MUCH BETTER CHANCE OF CONCLUDING SALES TO HUNGARY IF THEY OFFER SOME FORM OF BUYBACK OR OTHER OFFSET ARRANGEMENT. PRACTICES OF INDIVIDUAL FOREIGN TRADING ORGANIZATIONS VARY, AND SOME FTO' SEEK COUNTER-PURCHASE ARRANGEMENTS WHICH DO NOT MEET NYERGES'S STANDARDS. WE DO NOT RPT NOT HAVE ANY CLEAR INDICATIONS, HOWEVER, THAT COUNTER-TRADE DEMANDS HAVE BECOME MORE PRESSING IN THE RECENT PAST.

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4. THE MAIN TRADE PROBLEMS THAT WE FACE IN HUNGARY-- ASIDE FROM QUESTION OF MFN TARIFF TREATMENT -- REMAIN LIMITED ACCESS TO END-USERS THROUGH THE SCREEN OF FOREIGN TRADE ORGANIZATIONS, AND THE LONG TIME REQUIRED TO CONCLUDE A SALE. THESE FACTORS CONTINUE TO DISCOURAGE ALL BUT THE MOST PERSISTENT AMERICAN BUSINESSMEN. WE FEAR, HOWEVER, THAT THIS PROBLEM IS BEYOND THE POWER OF THE GATT WORKING PARTY TO SOLVE.
KAISER

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